

**LODI CITY COUNCIL  
SPECIAL CITY COUNCIL MEETING  
CARNEGIE FORUM, 305 WEST PINE STREET  
WEDNESDAY, JUNE 27, 2001**

**A. CALL TO ORDER / ROLL CALL**

The Special City Council meeting of June 27, 2001 was called to order by Mayor Nakanishi at 7:02 p.m.

Present: Council Members – Hitchcock, Howard, Land, Pennino and Mayor Nakanishi

Absent: Council Members – None

Also Present: City Manager Flynn, City Attorney Hays, and City Clerk Blackston

**B. REGULAR CALENDAR**

- B-1 “Adopt the 2001-03 Operating and Capital Improvement Budgets for the fiscal year beginning July 1, 2001 and ending June 30, 2003, and further approving the 2001-03 Appropriation Spending Limit”

City Manager Flynn stated that the numbers in the budget presented to Council are accurate, and it is balanced. According to the long-term financial plan the City is in a good position.

Deputy City Manager Keeter noted that several “blue sheet” handouts were distributed to Council (filed). She reminded Council that the budget process began on November 20, 2000 when the budget calendar was released. Subsequent to that date, 21 budget meetings, totaling 34 hours, were held to discuss budget policies, goals, objectives, department accomplishments, priority projects, revenue projections, significant expenditure requests, capital improvement projects, proposed operating expenditures, and the fund balance.

Ms. Keeter read the City’s new mission statement, “The City of Lodi’s purpose is to enhance the quality of life for Lodi residents reflecting our high community standards” and announced that this is the first time a mission statement has been incorporated into the City’s budget.

Referencing the handout entitled Budget Graphics and Summaries, All Funds Combined, Ms. Keeter explained the following changes, which were incorporated into the report:

- Revenues, Other Sources (Uses)/Reserves – \$20,251,979 includes an increase of \$9.3 million to reflect the public safety building;
- Expenditures, Capital Projects – \$9.362 million was added;
- Debt Service – \$3.7 million includes an increase of \$1.39 million for electric debt service; and
- As a consequence to the above increases, the Fund Balance was adjusted to \$1.586 million.

In reply to Council Member Hitchcock, City Manager Flynn reported that the document reflects \$18.2 million in debt financing, which will likely be a Certificate of Participation with repayment of the debt from the General Fund. He commented that the financing issue would be brought back to Council in late October or early November.

Ms. Keeter continued her explanation of changes as follows:

- Page G-4, \$12.985 million reflects the public safety building financing;
- Page G-5, Electric Fund, incorporates \$1.3 million in debt service;
- Page G-6, \$122 million ties back to page A-2; and
- Some adjustments were made to beginning balances of the Transit Fund primarily as the result of submitting claims through the San Joaquin Council of Governments.

City Manager Flynn pointed out that the Street Fund is a zero balance account – there is no operating element to it. The money in this fund must be spent on street projects.

Ms. Keeter referenced page G-7 and reported that tax revenues, licenses, and permits are increasing. There is a slight decrease in fines and forfeitures. Investment and Property Revenues, Revenues from Others, and Service Charges are increasing. Total revenue projections are \$26.7 million and expenditures are estimated at \$30.1 million. Adding Other Sources and Uses, a beginning year fund balance is estimated at \$3.8 million. The General Fund unreserved fund balance will be approximately \$3,799,915.

Council Member Hitchcock stated that “Other Sources and Uses” should be detailed in the budget, or at a minimum, a better description should be used.

Finance Director McAthie explained that the Transfers In and Out are detailed on page 13. The line item for Other Sources and Uses is purposely not detailed because often times there is a projected amount for confidential negotiations, purchases of land, and/or settlements. Ms. McAthie stated that the specific numbers are available for Council Members should they wish to review it.

Council Member Land thanked the City Manager for his work related to the budget. He pointed out that the reserve has increased from 8% to 13.4% in the past six years.

Referencing page G-15, Capital Outlay Fund, Ms. Keeter stated that it incorporates funding for the public safety building and the expenditure. There is \$12.9 million under Capital Projects, expenditures – with an offset under Other Sources and Uses of \$10.6 million reflecting debt proceeds for the public safety building project. Designated Reserve includes \$3 million for the public safety building.

Ms. Keeter reported that the recommended significant expenditure requests and the recommended capital improvement projects have been included in the budget. Significant expenditure requests include hiring two firefighters and one battalion chief in year one, hiring three firefighters in year two, a community resource officer, and increased street sweeping primarily for the east side.

Mayor Pro Tempore Pennino reminded staff that a recommendation for posting signs on the street to allow for street sweeping, needs to come back to Council in the near future.

Ms. Keeter continued, noting that the budget also includes \$130,000 in funding for the Lodi Conference and Visitors Bureau in year one and in year two. The Downtown Lodi Business Partnership (DLBP) had requested \$60,000; however, the Council recommended \$47,000 and for the City to assume the billing for the DLBP, but not their collections.

Council Member Land stated that the DLBP billing responsibility represents approximately 20% of the Executive Director's time, so the total value is close to what they requested.

Ms. Keeter noted that even though projects are designated in the budget it does not necessarily mean they will be constructed, as Council has an opportunity to pull a project at any point during the different phases. Capital improvement projects include design services for DeBenedetti Park, the Indoor Sports Complex, the Aquatics Center, and the Animal Shelter. The cost for design services of these projects is designated in year one with construction in year two. She stated that staff would likely be looking at debt financing for year two construction.

City Manager Flynn assured the Mayor that there were sufficient funds in the budget for design services.

In reply to Council Member Hitchcock, Cameron Parks of Public Financial Management, Inc., estimated that debt service on \$28 million in financing would be \$2,130,000 annually.

In conclusion, Ms. Keeter reported that staff is not recommending any rate increases, with the possible exception of the Water/Wastewater Enterprise. Staffing adjustments are being made to keep up with demands for service. Public facilities are being improved through capital improvement projects. There will be no reduction in services. The General Fund balance is "healthy" at 13% and is in sync with the long-term financial plan. Ms. Keeter pointed out that the long-term financial plan is a "living" document and will be updated constantly. It is intended to be used as a guide.

Mayor Pro Tempore Pennino expressed the following comments, concerns, and/or requests:

- Page B-12, Budget Policies, Debt Management, Item F – He asked the City Manager to bring the following concept back for discussion at a future meeting: "No more than 60% of all Capital projects costs will be funded from long-term financing."
- Page D-19, Fire Department Major Objectives, 2002-03 Implementation of "light" operational level rescue capability – Chief Pretz reported that the department intends to bring the issue of paramedics back to Council in the latter part of this year.
- Page D-83 – He strongly supported having the Library open on Sundays, Council previously expressed concurrence to do so, and yet it is not listed in the budget.

In reply, Ms. Keeter reported that it has been incorporated into the operating budget, and it will be added to the Library's objectives in the final budget document. She explained that the General Fund will absorb the cost of Library utilities, which will free up funds within the Library's operating budget, allowing them to open on Sundays and hire a part-time Reference Librarian.

- Page D-101, Economic Development – He noted that 48 business retention visits per year is an aggressive goal, and intimated that it may be unrealistic.
- Page D-110, City Clerk – He pointed out that the Council concurred with adding a full-time Administrative Clerk position, and yet the budget document does not reflect it.

Ms. McAthie noted that the error had been detected previously, and Ms. Keeter stated the total number of regular positions will be changed from three to four in year two.

- Page D-111, City Clerk, Major Accomplishments, Increased scope of voter phone assistance to include outlying areas (Acampo, Lockeford, Woodbridge, Galt, Thornton, and Clements) – He expressed opposition to Lodi funding voter phone assistance to areas outside the City's boundaries and recommended obtaining County funding or discontinuing the practice.

Council Member Land expressed agreement.

- Capital Projects – He noted that there is no mention of the rail issue and emphasized the need to move forward.
- Page E-56, Replacement Vehicle Requests, 7 Mini-Vans – He suggested buying one-year-old used rental vehicles.
- Page G-20, Electric Fund – He pointed out that there is \$43 million restricted cash in the Electric Fund; however, it does not show up on the balance sheet.

City Manager Flynn explained that it represents the bond proceeds that are set aside for specific capital projects, and stated that it will be added under Fund Balance as restricted cash.

- Page H-7, In-Lieu Franchise (Other) – He noted that the description will be changed to “refuse”.
- Page H-9, Development Impact Fees – He asked why fees are increasing significantly this year and decreasing the next.

City Engineer Wally Sandelin explained that the second-year projection on development activity is down considerably from the first year in anticipation of a slow down in building projects, attributed to the lack of approved projects that are on the books at this time.

Council Member Howard noted that at a recent Shirtsleeve Session it was mentioned that the possible 30% increase in Impact Fees would go into effect January 2002.

- Page H-14, 2000-01 Revised Budget – He pointed out that this needs to be corrected to show the \$1.5 million.

Mayor Pro Tempore Pennino thanked staff for meeting with him at 6:00 p.m. prior to this meeting to review his questions. He noted that staff would be coming back with word changes that he recommended.

Council Member Land expressed the following comments, concerns, and/or requests:

- Page B-33, Civic Plaza Veterans Monument – He noted that a significant amount of donations were anticipated and suggested amending the language under Objectives to reflect, e.g., “\$450,000, which will be reduced by donations.”
- Page B-35, Formation of a Redevelopment Agency – He pointed out that funds have already been allocated and the project is completed, with the exception of approving the project area.

Ms. Keeter acknowledged that it should not have been included in the budget documents.

- Page D-19, Fire Department – He noted that the numbers do not add up, and the significant expenditure does not indicate that an additional battalion chief is being added.

Ms. Keeter stated that the page would be corrected to reflect two additional firefighters and one battalion chief in year one, and three additional firefighters in year two.

- Page D-39, Electric Utility, Major Objectives – He inquired when the construction of a new overhead and underground 60kV line from White Slough to the City of Lodi would be done.

Electric Utility Director Vallow indicated that the project would likely be suspended until the energy market stabilizes.

COMMENTS BY THE PUBLIC:

- Lew VanBuskirk, Executive Director of the DLBP, stated that the \$47,000 funding approval would not take the DLBP program to the level it should be. In response to Council Member Land’s earlier comment regarding a 20% time savings, he objected to the inference that this would then equate to an amount equal to the DLBP’s original request. In “hard dollars” the City assuming the billing responsibilities would save only \$1,800. Mr. VanBuskirk felt that the DLBP deserved its funding request of \$60,000.

In reply to Council Member Howard, City Manager Flynn stated that additional staff would not be needed for the City to assume the billing responsibilities of the DLBP.

Council Member Hitchcock expressed support for fully approving the DLBP's request for \$60,000, noting that the City has a major investment in the downtown area.

Council Member Howard agreed that approval of the \$60,000 funding request would be appropriate. She felt it would be beneficial for Council to continue to look at how much to fund the DLBP in the future, and recalled that at a previous meeting suggestions were made to develop a "tapering" funding system or a possible percentage based on sales tax.

Referencing the long-term financial plan (filed), Finance Director McAthie explained that the Year 2000 budgeted amounts now reflect 'actual' numbers. The 2001 budget has been updated to the current revenue and expenditure budget. The 2002-03 budget has been amended to include the same numbers that staff has discussed with Council during previous budget meetings. Capital projects have been incorporated into the budget, and \$1.5 million has been added to year 2002-03.

In response to City Manager Flynn's inquiry regarding financing for the public safety building, Ms. McAthie explained that page 1, line 36 of the long-term financial plan indicated the scenario for an \$18 million financing. Mr. Parks further clarified that expenditures are shown on page 7 and come forward to page 5, which shows the Capital fund balance. He stated that on page 5, line 22, Additionally Required Revenues – beginning in 2002-03 there are remaining Capital expenditures that, without financing, would require additional revenue.

Mr. Parks reported that line 11, Refuse Franchise, and line 35, Cost of Medical, Dental, Vision and Chiropractic, are new line items. The City's fund balance through 2010 is consistent with what fund balances have been in the past.

In response to questions by Council Member Hitchcock, Mr. Parks stated that \$1.5 million is set aside in the first three fiscal years and is shown on page 4, Debt Service Fund. Debt service on the public safety building financing is not anticipated to come on line until 2004. Any other additional net income shown in these years could also be contributed to additional debt service. The amounts shown on page 5 under Additionally Required Revenues, totaling \$17.2 million indicates cash required to fund the projects (e.g. Indoor Sports Complex, Aquatics Center, etc.) without the use of debt financing. He estimated it would cost \$2.1 million annually in debt service. Mr. Parks agreed with Ms. Hitchcock that the City does not have \$700,000 a year for debt payment on the projects.

Ms. McAthie pointed out that not all of the debt would necessarily be coming from the General Fund, as Impact Fees could also help pay the debt.

Ms. Hitchcock reported that the total revenues on the 1999 long-term financial plan prepared by PFM amounted to \$454,264,197, and the current report indicates \$597,191,320 for 2010. She indicated that the significant difference in revenue growth has resulted from choosing a different base line, which was from the City's best year.

Ms. McAthie explained that since that time, staff has changed the projected 1999 and 2000 figures to 'actual' amounts. The actual amounts were higher than what they had been projected to be. She also noted that sales and property tax revenue has increased.

Mr. Parks reported that projection rates were based on historicals, which included various levels of the economy. Review of actual rates to projected rates have shown that their projection rates conservatively project what should be expected for growth rates.

Ms. McAthie added that staff has only projected a sales tax increase of 4.25%, when actuals have been closer to 5.5%. The lower percentage allows for fluctuations in the economy.

George Wolf of Soloman, Smith, Barney, stated that his firm acted as the City's investment banker during the 1999 electric revenue bond issue and other past transactions. He believed that the long-term growth trend, as reported by PFM, was done conservatively.

Mayor Pro Tempore Pennino pointed out that the City's budget uses the 2007 State population estimate of 70,000, and the long-term financial document uses an estimate of 60,890. He emphasized the importance of using the same population estimate in both documents.

In reply to Council Member Hitchcock, Mr. Wolf stated that though his firm did not produce the long-term financial plan, their examination of it could be compared to an independent review.

Council Member Hitchcock explained that projections are very important to her decision regarding the budget, as they indicate whether the City will have the necessary funds to continue paying for services, as well as anticipated debt. She expressed concern about the City being able to afford to finance projects during an eventual downturn in the economy.

Council Member Howard noted that the budget includes funding for design of the Animal Shelter Facility, Aquatics Center, DeBenedetti Park, and the Indoor Sports Complex. She urged the Council to continue discussions with the DLBP in an effort toward strengthening their relationship and supporting the downtown area. Ms. Howard stated that the 2001-03 budget will allow for increased services, access to information, providing equipment necessary for safety, advancement toward the future and technology, providing for a safer community, and increased benefits and employment opportunities.

Mayor Nakanishi stated that he was satisfied with the budget and long-term financial plan, which he felt was a conservative forecast.

Mayor Pro Tempore Pennino noted that during the last five years, the number of City employees has increased from 397 to 456. He clarified that the budget does not include the approval of the debt on the police building. Council will consider that issue at a later time. Any expenditures over \$5,000, including projects listed in the budget, must be brought back to Council for approval. Mr. Pennino stated that he has been assured by staff that Council will get a corrected copy of the budget (with grammatical changes) to review. In reference to the DLBP's request for an additional \$13,000, he suggested that the budget be left as-is at this time; however, he agreed to Council reconsidering it next month and, if necessary, deduct the amount from the Contingency Fund.

MOTION:

Mayor Pro Tempore Pennino made a motion, Land second, to adopt Resolution No. 2001-166 approving the 2001-03 Operating and Capital Improvement Budgets for the fiscal year beginning July 1, 2001 and ending June 30, 2003, and further approving the 2001-03 Appropriation Spending Limit.

DISCUSSION:

Council Member Land requested that Council reconsider (concurrently with the DLBP issue) funding the Police Chaplain program in year one instead of year two.

VOTE:

The above motion carried by the following vote:

Ayes: Council Members – Howard, Land, Pennino and Mayor Nakanishi

Noes: Council Members – Hitchcock

Absent: Council Members – None

*Continued June 27, 2001*

C. COMMENTS BY THE PUBLIC ON NON-AGENDA ITEMS

- John Griffin reported that Josh Davis, a three-time Olympic gold medallist, assisted with a recent swim camp at the Tokay High School pool for 55 youth. He also gave a presentation at Hutchins Street Square before approximately 100 individuals. Mr. Griffin gave the Council copies of "Seven Habits of Highly Effective Athletes" from Mr. Davis.

COMMENTS BY THE COUNCIL

Council Member Hitchcock congratulated Ms. Howard on the recent successful Safe Kids Day event.

D. ADJOURNMENT

There being no further business to come before the City Council, the meeting was adjourned at 9:03 p.m.

ATTEST:

Susan J. Blackston  
City Clerk